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PERKINS COIE LLP
One Bellevue Center, Suite
1800
411 - 108th Avenue
Northeast
Bellevue, WA 98004-5584
(425) 453-6980

1 Public Counsel Division ("Public Counsel"), U S WEST, AARP and TRACER Regarding
2
3 Final Refund Disposition.

4 3. After the Supreme Court remand to this Court, the parties submitted differing
5 proposals for how to implement the refunds. On June 25, 1998, this Court detailed how the
6 refund process would proceed, and how U S WEST would calculate and disburse refunds to
7 customers, in its Memorandum Order on Methodology to Implement U S WEST's Refund
8 Obligation (dated June 24, 1998) ("Refund Implementation Order").
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10 4. The Court required U S WEST to make refunds for many services and
11 different customer groups, including: Switched Access Service refunded primarily to
12 interexchange carriers; Business Basic Exchange Services (including Complex Business,
13 PBX trunks, Semi-Public Access Lines, Public Access Lines, Toll Trunks and Hotel Trunks,
14 Simple Business, Digital Switched Services (DSS) trunks, Centrex Plus Network Access
15 Registers (NARS) and Centrex Plus NAR Equivalents); Hunting Service; Local Measured
16 Service Usage; and Message Toll Service.
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18 5. The Court also directed how U S WEST would be required to attempt to reach
19 customers that had moved or discontinued service. Current customers received bill credits
20 and/or checks. For former customers, the Court required that U S WEST advertise for a
21 specified time period in certain newspapers that have the largest circulation in the state.
22

23 6. The refund process was complicated by the fact that during the stay the rates
24 U S WEST charged for specific services differed by customer location. The services
25 customers subscribed to also differed, and customers had differing usage of any given
26 service. In addition, customers may have changed services during the stay. Not all
27 customers at the time of the refund were customers at all times during the stay. Not all
28 customers who were customers at the beginning of, or during, the stay were U S WEST
29 customers at the time of the refund.
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31 7. The Court made specific rulings regarding how refunds would be made for
32 each service and for the above varying circumstances. For some services, the Court adopted
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1 U S WEST's proposals to make refunds based on certain assumptions or averages. For
2 example, for complex business, PBX trunks, semi-public access lines, public access lines,
3 hunting service, toll trunks and hotel trunks, U S WEST made refunds on the assumption that
4 each customer had the service for the full 21-month period of the stay, even though not all
5 did, because it was administratively simpler to make refunds based on this assumption. This
6 also resulted in credits to customers who changed service during the period of the stay with
7 refunds equal or greater than the actual amount owed.
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13 8. Refunds to current customers for toll service and local measured service were
14 not based on each customer's actual billed charges. Toll rates charged to customers during
15 the stay varied by time of day, day of week, and according to each customer's toll plan. The
16 Court ordered that the refund for toll service be made by establishing an average rate based
17 on revenues and overall minutes of use and that this averaged per minute of use credit be
18 refunded to customers based on their actual minutes of use during the stay period.
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23 9. For local measured service, U S WEST did not have data for the complete
24 period of the stay. The Court ordered that these refunds be based on an estimate of usage for
25 the stay period which took a customer's three months of usage prior to the expiration of the
26 stay, and extrapolated that over the entire 21-month period.
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30 10. U S WEST sent checks or applied bill credits, for refunds to current
31 customers, and advertised the availability of refunds for former customers, as required by the
32 Refund Implementation Order.
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35 11. Many former customers responded to the advertisements. Indeed, 3,962
36 customers received refunds based on claims filed in response to the advertisements. Of these
37 refunds, 1,094 were made to business customers that were either no longer with U S WEST
38 or that had changed service during the period of the stay. In addition, current customers also
39 were advised that they could file claims if they required a manual recalculation of their
40 refund. Several customers requested and received customer specific calculated refunds.
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44 12. U S WEST submitted several status reports to the Court during the course of
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1 the refund process. On July 30, 1999, U S WEST submitted to the Court its Final Report on
2 U S WEST Refund Status ("Final Report") which detailed the refunds U S WEST had made
3 and the process it had followed.
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6 13. The WUTC and Public Counsel filed a Joint Response to U S WEST's Final
7 Report on August 20, 1999. The WUTC and Public Counsel requested that the Court not
8 enter an order approving U S WEST's Final Report, or otherwise closing the case, until they
9 had an opportunity to resolve matters with U S WEST relating to the Final Report.
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12 14. These parties have now had an opportunity to review and resolve such
13 matters.
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16 15. The first matter raised by the WUTC and Public Counsel involved unclaimed
17 refunds (i.e., checks sent to customers that have been returned to U S WEST uncashed). U S
18 WEST regularly receives returned checks as a normal function of its business. These
19 returned refund checks have not been segregated from other returned checks received by U S
20 WEST during the same time period. U S WEST did not segregate the returned checks
21 because U S WEST understands that it is obligated to turn all such returned checks over to
22 the Department of Revenue in accordance with RCW 63.29, et seq. U S WEST has held all
23 of these funds, which, in total, amount to approximately \$1,837,967.
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26 16. Based on U S WEST's historical unclaimed check return rate, U S WEST
27 estimates that about \$179,829 of the \$1,837,967 is not refund related, and that approximately
28 \$1,658,038 is refund related. The parties to this Joint Motion agree that U S WEST should
29 also turn over such refund funds to the Department of Revenue in accordance with RCW
30 63.29 et seq.
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33 17. The second matter raised by the WUTC and Public Counsel involved review
34 of the amount of money refunded. The parties to this Joint Motion agree that the refund
35 amount returned to customers was approximately \$26 million less than initially expected at
36 the outset of the refund process.
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39 18. U S WEST believes that this differential relates to two sources. First, as
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1 described above, for many services, the actual amounts refunded were estimated or
2 extrapolated and not necessarily a return of the precise monies paid in by each customer. In
3 many cases, customers received more than what they originally paid based on the Court's
4 direction.
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8 19. Second, there was a change in the customer base between May 1996 and July
9 1999, the time between when the stay commenced and when U S WEST filed its Final
10 Report on the status of the refund. Each month, approximately 5,000 business customers
11 discontinue their service with U S WEST. Over the twenty-one month period of the stay,
12 approximately 105,000 business customers discontinued service with U S WEST.
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16 20. The parties to this Joint Motion agree that \$26 million is acceptable as the
17 total refund liability for purposes of this settlement presented to the Court. This is derived
18 from the status reports provided to this Court by U S WEST during the implementation of the
19 court ordered refund methodology. Attachment A to this Affidavit sets forth an overall
20 breakdown of the services that are believed to make up this \$26 million.
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24 21. For purposes of simplification, the analysis set forth on Attachment A ignores
25 that any of the \$26 million differential is related to estimation and/or extrapolation inherent
26 in the refunds for many services (as described above). It is impossible to quantify what
27 amount of the differential (between the actual refund amount and that expected at the outset
28 of the stay) is attributable to the use of refund methodology based on estimation and/or
29 extrapolation. So, Attachment A assumes that none of the differential is caused by
30 estimation and/or extrapolation though we know this is not the case. However, this is
31 immaterial to the overall assessment of the major sources of the differential.
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34 22. Attachment A shows that approximately \$24 million (92%) of the \$26 million
35 appears to be related to refunds for Business Basic Exchange and Hunting services purchased
36 by business customers. (Some residential customers subscribe to Hunting service, but most
37 subscribers are business customers.)
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39 23. An additional \$1.9 million appears to relate to Switched Access Service,
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1 which is a service primarily utilized by other telecommunications carriers that sell long
2 distance services. U S WEST believes this amount is basically attributable to the change in
3 the number of telecommunications carriers operating in Washington between May 1996 and
4 April 1998. All telecommunications carriers operating in Washington in April 1998 received
5 refunds as did former telecommunications carriers that could be located. The residual
6 amount appears to be associated with former telecommunications carriers that could not be
7 found or are no longer in business. However, such former carriers most likely recovered the
8 rates they were charged for switched access service through the toll rates they charged their
9 end user customers.
10

11 24. Finally, as depicted in Attachment A, less than \$400,000 appears to relate to
12 Local Measured Service, a service utilized by business and residential customers.
13 (Attachment A also shows that U S WEST overpaid refunds for another service also used by
14 both business and residential customers -- Message Toll Service (long distance)).
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16 25. The \$26 million differential has not been, and cannot practicably be, allocated
17 to any specific customer.
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19 26. The parties to this Joint Motion have agreed, for purposes of this motion, to a
20 settlement in which U S WEST would fund particular projects in the amount of \$26 million.
21 Attachment B hereto sets forth a detailed breakdown of the proposed projects. Attachment C
22 hereto shows a breakdown of the funding per project.
23

24 EXECUTED this ____ day of _____, 2000, at Seattle, Washington.
25
26

27 _____
28 Theresa A. Jensen
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31 SUBSCRIBED and SWORN to before me this ____ day of _____, 2000.
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Print Name: _____
Notary Public in and for the State of Washington,
residing at _____
My commission expires: _____